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Robert T. Bockman, Esquire, represented SCE&G; Elliott F. Elam, Esquire, represented the Intervenor, Consumer Advocate of South Carolina (the Consumer Advocate); and Sarena D. Burch, Staff Counsel, represented the Commission Staff.

SCE&G offered the testimony of Warren A. Darby and Carey S. Morris, and the Commission Staff offered the testimony of Brent L. Sires. A Motion to Strike certain testimony of Mr. Darby made by the Consumer Advocate was granted by the Commission.

Based on the evidence in the record, the Commission makes the following findings and conclusions:

1. SCE&G testified that its forecasted cost of gas was based on the latest historic actual period of the six months ending October 1990. During this historical actual period, adjustments

were made for known and measurable changes, such as changes to rates from SCE&G's intrastate supplier and tariff changes from interstate suppliers to its intrastate supplier that are in effect or scheduled to be in effect during the forecasted period. Certain take-or-pay charges from SCE&G's supplier were also included in its forecast. The Company also made other normalizing adjustments to the historic period in developing the forecasted price of natural gas to its customers.

Based on this testimony and the testimony of Staff witness Sires, the Commission finds that (a) by applying the forecasted monthly cost of gas to its projected firm sales, an average annual rate of \$.48716 cents per therm has been developed and will be incorporated in SCE&G's firm base tariff rates through October 1991 unless an out of period adjustment is found necessary due to changes in the Company's gas costs; (b) the currently approved cost of gas in the rate tariffs is \$.42985 cents per therm. The new rate of \$.48716 cents per therm causes an increase to the Company's firm rate tariffs of \$.05731 cents per therm; and (c) the projected results of applying SCE&G's recommended fixed gas rate indicate the Company's experiencing a positive variance on its gas cost at October 1991 in the amount of \$95.27.

2. Staff witness Sires testified that the present approved gas cost collection procedure provides for a fixed base cost of gas component for a six month period to prevent fluctuations in the gas cost. The Commission finds that this procedure allows the Company to collect only gas related costs. Based on the above findings,

the Commission concludes that the purchased gas adjustment of the Company is operating properly.

3. Staff witness Sires testified that subsequent to the filing of the Company's prefiled testimony, this Commission approved by Order No. 90-960, the transfer of operating authority of Peoples Natural Gas Company (Peoples) to SCANA. The Commission ordered that upon approval of the merger, SCE&G's PGA be implemented, if practical, on the Peoples system in November 1990. The Gas Department reviewed the impact of the incorporation of Peoples sales and gas cost under the levelized cost of gas factor of SCE&G and recommended that the levelized gas cost of \$.48716 be implemented on the Peoples system beginning with the first billing cycle in November, 1990. Witness Sires also testified that by incorporating Peoples' PGA with the PGA of SCE&G, the firm customers of Peoples will be billed on a levelized cost of gas factor.

Based on this testimony, the Commission finds that it is proper at this time for SCE&G's PGA to be implemented on the Peoples system and concludes that the levelized gas cost of \$.48716 should be implemented on the Peoples system beginning with the first billing cycle in November 1990.

IT IS THEREFORE ORDERED:

1. That the purchased gas adjustment of South Carolina Electric & Gas Company is hereby approved.
2. That the gas cost of \$.48716 cents shall be effective beginning with the first billing cycle in November 1990.

3. That the gas cost of \$.48716 cents shall be implemented on the Peoples system beginning with the first billing cycle in November 1990.

4. That new tariff sheets and rate schedules should be filed reflecting the findings herein within five (5) days of the date of this Order.

5. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)